



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

Pete M. Gonzales, Jr., CPA, CFE
City Auditor
San Antonio, Texas

RE: Management's Corrective Action Plan for the Audit of the Contract for Project 3-Volume-2
Utility Relocation for Terminal B

Aviation Department Management would like to acknowledge the value of the entire audit process and the professionalism of the auditors assigned to the audit. This process has identified areas where changes are needed and the Aviation Department Management is committed to developing and implementing the Corrective Action Plans listed below corresponding to report recommendations.

Recommendations					
#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
A. Contractor Overcharges		5			
A.1	Collect \$254,796 from the Contractor to recover the overcharges	5	Accept	Mark Webb Aviation Director	January 2008
		Action plan: Aviation Department personnel will discuss all of the audit findings with the contractor to ensure similar billing situations identified in this audit are avoided in the future. The \$254,796 will be withheld from the contractor's retainage and the contract will be closed.			
A.2	Require contractors to provide sufficient documentation to support the completion of each pay element contained in each payment application. The PM should reconcile the quantities billed and should also physically verify the quantities using appropriate means of measurement.	5	Accept	Mark Webb Aviation Director	January 2008
		Action plan: Aviation Department is coordinating with the PM Team to establish new documented procedures for reviewing and approving contractor invoices. These document procedures will include: <ul style="list-style-type: none">• Physical verifications of unit quantities installed;• Reconciliations of verified unit quantities with pay application unit quantities;• Ensure all required supporting documents are present prior to processing the pay application;• Inspection of the permanent "record" drawings to ensure design or quantity changes are reflected			

A.3	Require supporting documents for contact allowance items, such as time sheets and payroll reports, to substantiate hours billed and paid for subcontractors' work.	5	Accept	Mark Webb Aviation Director	January 2008
		Action plan: Aviation Department will coordinate with the PM Team to establish new documented procedures requiring contractors' to obtain supporting documentation for contract allowance items, such as time sheets or payroll reports from their subcontractors prior to billing the City for subcontractor invoices.			
A.4	Compare all types of claimed expenses with the terms of the contract.	5	Accept	Mark Webb Aviation Director	January 2008
		Action plan: Aviation Department is coordinating with the PM Team to establish new documented procedures for reviewing and approving contractor invoices. These new procedures will include a verification process to ensure that all charges are in accordance to the contract terms and conditions. In addition, the Aviation Department Contract Compliance Division will begin a process of periodically selecting a sample of pay applications that have been processed to ensure the new pay application verification process is functioning properly.			
B. Calendar Day Contract Liquidated Damages		5			
B.1	Collect \$6,000 in liquidated damages from the Contractor	5	Accept	Mark Webb Aviation Director	January 2008
		Action plan: Aviation Department personnel will discuss this audit finding with the contractor and the \$6,000 will be withheld from the contractor's retainage.			
B.2	Enforce all Calendar Day provisions and ensure that any liquidated damages are deducted from the final payment owed the Contractor.	5	Accept	Mark Webb Aviation Director	January 2008
		Action plan: Aviation Department will coordinate with the PM Team to ensure that a tracking tool is developed and maintained to monitor of all calendar day contracts. In addition, document procedures will be developed to ensure remaining days on calendar contracts are communicated to the contractor and to the Aviation Department staff on a periodic basis. Contract Close-out procedures will also be documented and include comparing the actual elapsed calendar days to the contract terms (including change order days) and assessing any			

		applicable liquidated damages prior to releasing the contractor's retainage.			
C. Acceleration Change Order Documentation		6			
C.1	Ensure that all change orders are initiated with a field work directive or RFP with specific details on the requested changes.	6	Accept	Mark Webb Aviation Director	February 2008
		Action plan: Aviation Department will coordinate with the PM Team to ensure that all change order requests are documented in accordance to the contract requirements. In addition, the Aviation Department Contract Compliance Division will begin a process of periodically selecting a sample of change orders that have been processed to ensure contractor change order requests and owner requested field work directives or RFP's are initiated with sufficient details.			
C.2	Require that all supporting change order documentation contains accurate and complete information so that the work can be properly monitored and measured.	6	Accept	Mark Webb Aviation Director	March 2008
		Action plan: Aviation Department will coordinate with the PM Team to ensure change orders contain accurate and complete information that can be properly monitored and measured. Change order procedures and a training course will be developed for all PM Team and Aviation staff responsible for preparing these documents.			

We appreciate the recommendations in the audit report and are committed to addressing the action plans presented above.

Sincerely,


Mark Webb
Director, Aviation Department


for Penny Postoak-Ferguson
Assistant City Manager